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**SENATE BILL**

**No. 380**

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**Introduced by Senator Pavley**  
**(Principal coauthors: Senators De León and Huff)**  
**(Coauthors: Senators Allen, Hertzberg, and Runner)**  
(Coauthor: Assembly Member Wilk)

February 24, 2015

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An act to add and repeal Section 3217 of the Public Resources Code, and to add and repeal Sections 714 and 715 of the Public Utilities Code, relating to natural gas, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 380, as amended, Pavley. Natural gas storage: moratorium.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known

methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Under existing law, a person who fails to comply with certain requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill would require the supervisor to continue the prohibition against Southern California Gas Company injecting any natural gas into the Aliso Canyon natural gas storage facility located in the County of Los Angeles until a comprehensive review of the safety of the gas storage wells at the facility is completed, as specified, the supervisor determines that well integrity has been ensured by the review, the risks of failures identified in the review have been addressed, the supervisor's duty to prevent damage to life, health, property, and natural resources, and other requirements is satisfied, and the Executive Director of the Public Utilities Commission has concurred via letter with the supervisor regarding his or her determination of safety. The bill would require the supervisor to determine criteria for the gas storage well comprehensive safety review with input from independent experts and would require the criteria to include, but not be limited to, specified tests and inspections. ~~The bill would require the division to hold at least one public meeting to provide the public an opportunity to comment on the criteria.~~ The bill would require the supervisor to direct the contracted independent experts to provide a methodology to be used in assessing the tests and inspections specified in the criteria. The bill would require the division to post the methodology on a public portion of its Internet Web site. The bill would require the operator of the facility to provide the division with the proposed maximum reservoir pressure and to include data and calculations supporting the basis for the pressure limit. The bill would authorize the supervisor to allow injections of natural gas into the facility once the gas storage well comprehensive safety review is ~~complete~~ complete, *the division holds a duly noticed public hearing in the affected community to provide the public an opportunity to comment on the safety review findings and the proposed pressure limit*, and the supervisor has approved the maximum and minimum reservoir pressure at the facility. The bill would also require that, before the completion of the gas storage well comprehensive safety review, the production of natural gas from gas storage wells at the facility be limited to gas storage wells that have satisfactorily completed the testing and remediation required under the review, except as specified. The

bill would require the supervisor to direct the operator of the facility to provide a plan to ensure, at the earliest possible time, the availability of sufficient gas production capacity using gas storage wells that have satisfactorily completed the testing and remediation required under the review. The bill would require all gas storage wells returning to service under these provisions to inject or produce gas only through the interior metal tubing, and would require the operator to conduct ongoing pressure monitoring and comply with any other requirements specified by the supervisor. The bill would require the gas storage wells at the facility that are plugged and abandoned pursuant to these provisions to be periodically inspected by the operator for leaks using effective gas leak detection techniques. The bill would require the division, with respect to the review and in a timely manner, to post all testing, inspection and monitoring results, and other safety review-related materials to a public portion of the division's Internet Web site. Because a violation of certain of these requirements would be a crime, the bill would impose a state-mandated local program. The bill would repeal these provisions on January 1, 2021.

(2) Under existing law, the Public Utilities Commission is authorized to supervise and regulate every public utility in the state. Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

This bill would require the commission, no later than July 1, 2017, to *open a proceeding to* determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region, and to consult with specified entities in making its determination. The bill would require the commission, in consultation with specified entities, to determine the range of working gas necessary to ensure safety and reliability for the region and just and reasonable rates in California, and to direct the operator of the facility to provide all information the commission deems necessary to make that determination. The bill would require the commission, within 30 days of the effective date of this act, to publish a report, including specified information regarding gas production at the facility. The bill would require the commission to make the report available on its Internet Web site, and to seek public comments on the report, as specified. The bill would require the executive director of the commission, in consultation with the supervisor, to direct the operator of the facility to maintain the specified range of working gas after certain conditions have occurred.

Certain provisions of this bill would be part of the act and an order or other action of the commission would be required to implement certain of the provisions. Because a violation of the bill's provisions or of an order or decision of the commission would be a crime, this bill would impose a state-mandated local program by creating new crimes. The bill would repeal these provisions on January 1, 2021.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 3217 is added to the Public Resources  
2 Code, to read:

3 3217. (a) (1) The supervisor shall continue the prohibition  
4 against Southern California Gas Company injecting any natural  
5 gas into the Aliso Canyon natural gas storage facility located in  
6 the County of Los Angeles until a comprehensive review of the  
7 safety of the gas storage wells at the facility is completed and the  
8 supervisor determines that well integrity has been ensured by the  
9 review, the risks of failures identified in the review have been  
10 addressed, and the supervisor's duty to prevent damage to life,  
11 health, property, and natural resources, and other requirements, as  
12 specified in Section 3106, is satisfied. The supervisor may not lift  
13 the prohibition on injection until the Executive Director of the  
14 Public Utilities Commission has concurred via letter with the  
15 supervisor regarding his or her determination of safety.

16 (2) For purposes of this section, "facility" means the Aliso  
17 Canyon natural gas storage facility located in the County of Los  
18 Angeles operated by Southern California Gas Company.

19 (b) (1) The criteria for the gas storage well comprehensive  
20 safety review shall be determined by the supervisor with input  
21 from contracted independent experts and shall include the steps  
22 in subdivision (c). ~~The division shall hold at least one public~~

1 ~~meeting to provide the public an opportunity to comment on the~~  
2 ~~criteria.~~

3 (2) The supervisor shall direct the contracted independent  
4 experts to provide a methodology to be used in assessing the tests  
5 and inspections specified in the criteria. This requirement may be  
6 satisfied by the independent experts reviewing and, if necessary,  
7 revising the division's written methodology for assessing the tests  
8 and inspections specified in the criteria. The methodology shall  
9 include all tests and inspections required by the criteria. The  
10 division shall post the methodology online on a public portion of  
11 its Internet Web site.

12 (c) The gas storage well comprehensive safety review shall  
13 include the following steps to ensure external and internal well  
14 mechanical integrity:

15 (1) All gas storage wells shall be tested and inspected from the  
16 surface to the packer or to any wellbore restriction near the top of  
17 the geologic formation being used for gas storage, whichever is  
18 higher in elevation, to detect existing leaks using temperature and  
19 noise logs.

20 (2) Any leaks shall be stopped and remediated to the satisfaction  
21 of the supervisor.

22 (3) Following remediation, leak detection tests shall be repeated  
23 and results reviewed by the supervisor.

24 (4) (A) Unless a well has been fully plugged and abandoned  
25 to the supervisor's satisfaction and in accordance with Section  
26 3208, the well shall be evaluated and remediated in accordance  
27 with subparagraph (B) or plugged in accordance with subparagraph  
28 (C).

29 (B) If a gas storage well is intended to return to service for the  
30 purposes of resuming injections to the facility, it shall be tested  
31 and inspected from the surface to the packer or to any wellbore  
32 restriction near the top of the geologic formation being used for  
33 gas storage, whichever is higher in elevation, to ensure mechanical  
34 integrity. As identified in the division's criteria, these tests and  
35 inspections shall include the measurement of casing thickness and  
36 integrity, an evaluation of the cement bond on the casing, the  
37 determination as to whether any deformities in the well casing  
38 exist, and an evaluation of the well's ability to withstand pressures  
39 that exceed maximum allowable injection and production pressures,  
40 with a reasonable margin for safety, at the facility in accordance

1 with the criteria determined by the supervisor with input from  
2 independent experts pursuant to subdivision (b). If the tests reveal  
3 that a well poses a risk of failure, the supervisor shall require  
4 remediation and repeat tests as necessary to demonstrate to the  
5 satisfaction of the supervisor that remediation has mitigated any  
6 potential identified risks. If the operator cannot remediate the well  
7 to mitigate the identified risks to the satisfaction of the supervisor,  
8 the well shall be plugged and abandoned in accordance with  
9 Section 3208.

10 (C) (i) If a well is to be taken out of service before resumption  
11 of gas injections at the facility, it shall be removed from operation  
12 and isolated from the gas storage reservoir through plugging  
13 according to the division's criteria, including, but not limited to,  
14 the demonstration of sufficient cement to prevent migrations  
15 between the reservoir and other zones, placement of a mechanical  
16 plug at the bottom of the well, and subsequent filling of the well  
17 with fluid, and to specifications approved by the supervisor. All  
18 gas storage wells that are taken out of service under this  
19 subparagraph shall be subjected to ongoing testing and monitoring  
20 requirements identified in the criteria determined by the supervisor  
21 with input from independent experts. The monitoring shall include,  
22 but not be limited to, real-time and daily pressure monitoring, as  
23 applicable. A gas storage well shall not be returned to service  
24 unless the testing and remediation required under subparagraph  
25 (B) has been completed.

26 (ii) A gas storage well, within one year of being plugged and  
27 isolated from the gas storage reservoir pursuant to clause (i), shall  
28 either be returned to service by satisfactorily completing the testing  
29 and remediation required under subparagraph (B) or be  
30 permanently plugged and abandoned to the supervisor's satisfaction  
31 in accordance with Section 3208.

32 (D) The supervisor shall make a written finding for each gas  
33 storage well that has satisfactorily completed the testing and  
34 remediation required under subparagraph (B).

35 (5) The gas storage well comprehensive safety review is not  
36 complete until every gas storage well at the facility has completed  
37 the testing and remediation required under subparagraph (B) of  
38 paragraph (4), been temporarily abandoned and isolated from the  
39 reservoir as required under clause (i) of subparagraph (C) of

paragraph (4), or been fully plugged and abandoned to the supervisor's satisfaction in accordance with Section 3208.

*(d) Upon completion of the gas storage well comprehensive safety review but before authorizing the commencement of injections at the facility, the division shall hold at least one duly noticed public meeting in the affected community to provide the public an opportunity to comment on the safety review findings and on the proposed pressure limit as provided in subdivision (e).*

~~(d)~~

*(e) (1) Before commencing injections at the facility, the operator of the facility shall provide the division with the proposed maximum reservoir pressure and include data and calculations supporting the basis for the pressure limit. The pressure limit shall account for the pressure required to inject intended gas volumes at all proposed inventory levels and the pressure limit shall not exceed the design pressure limits of the reservoir, wells, wellheads, piping, or associated facilities with an appropriate margin for safety.*

*(2) The operator's proposed maximum reservoir pressure shall be subject to review and approval by the supervisor, and the supervisor shall consult with independent experts regarding the appropriate maximum and minimum reservoir pressure at the facility.*

~~(e)~~

*(f) Once the gas storage well comprehensive safety review is complete pursuant to paragraph (5) of subdivision ~~(e)~~ and (c), the supervisor has approved the maximum and minimum reservoir pressure pursuant to paragraph (2) of subdivision ~~(d)~~, (e), and the public hearing is held pursuant to subdivision (d), the supervisor may allow injections of natural gas at the facility.*

~~(f)~~

*(g) All gas storage wells returning to service pursuant to subdivision ~~(e)~~ (f) shall only inject or produce gas through the interior metal tubing and not through the annulus between the tubing and the well casing. The operator shall also conduct ongoing pressure monitoring and comply with any other requirements specified by the supervisor.*

~~(g)~~

*(h) The gas storage wells at the facility that are plugged and abandoned in accordance with Section 3208 pursuant to this section*

1 shall be periodically inspected by the operator for leaks using  
2 effective gas leak detection techniques such as optical gas imaging.

3 ~~(h)~~

4 (i) (1) Before the completion of the gas storage well  
5 comprehensive safety review, production of natural gas from gas  
6 storage wells at the facility shall be limited to gas storage wells  
7 that have satisfactorily completed the testing and remediation  
8 required under subparagraph (B) of paragraph (4) of subdivision  
9 (c) unless insufficient production capacity is available. Only if  
10 production capacity supplied by the tested and remediated wells  
11 is demonstrably insufficient may the supervisor allow other gas  
12 storage wells to be used.

13 (2) The supervisor shall direct the operator of the facility to  
14 provide a plan to ensure, at the earliest possible time, the  
15 availability of sufficient gas production capacity using gas storage  
16 wells that have satisfactorily completed the testing and remediation  
17 required under subparagraph (B) of paragraph (4) of subdivision  
18 (c).

19 ~~(i)~~

20 (j) With respect to the gas storage well comprehensive safety  
21 review at the facility, all testing, inspection and monitoring results  
22 reported to the division, gas storage well compliance status, any  
23 required remediation steps, and other safety review-related  
24 materials shall be posted in a timely manner by the division online  
25 on a public portion of its Internet Web site.

26 ~~(j)~~

27 (k) This section shall remain in effect only until January 1, 2021,  
28 and as of that date is repealed, unless a later enacted statute, that  
29 is enacted before January 1, 2021, deletes or extends that date.

30 SEC. 2. Section 714 is added to the Public Utilities Code, to  
31 read:

32 714. (a) The commission, no later than July 1, 2017, shall *open*  
33 *a proceeding to* determine the feasibility of minimizing or  
34 eliminating use of the Aliso Canyon natural gas storage facility  
35 located in the County of Los Angeles while still maintaining energy  
36 and electric reliability for the region. This determination shall be  
37 consistent with the Clean Energy and Pollution Reduction Act of  
38 2015 (Chapter 547 of the Statutes of 2015) and Executive Order  
39 B-30-2015. The commission shall consult with the State Energy  
40 Resources Conservation and Development Commission, the



1 Independent System Operator, the local publicly owned utilities  
2 that rely on natural gas for electricity generation, the Division of  
3 Oil, Gas, and Geothermal Resources in the Department of  
4 Conservation, affected balancing authorities, and other relevant  
5 government entities, in making its determination.

6 (b) This section shall remain in effect only until January 1, 2021,  
7 and as of that date is repealed, unless a later enacted statute, that  
8 is enacted before January 1, 2021, deletes or extends that date.

9 SEC. 3. Section 715 is added to the Public Utilities Code, to  
10 read:

11 715. (a) The commission shall direct the operator of the Aliso  
12 Canyon natural gas storage facility located in the County of Los  
13 Angeles to provide all information the commission deems  
14 necessary for the commission to determine, in consultation with  
15 the State Energy Resources Conservation and Development  
16 Commission, the Independent System Operator, and affected  
17 publicly owned utilities, the range of working gas necessary to  
18 ensure safety and reliability for the region and just and reasonable  
19 rates in California. The determination shall be based on best  
20 available data, and shall incorporate data from recent and ongoing  
21 studies being conducted to determine energy and gas use in the  
22 region by the commission, the State Energy Resources  
23 Conservation and Development Commission, the Independent  
24 System Operator, and affected publicly owned utilities.

25 (b) Within 30 days of the effective date of the act adding this  
26 section, the commission shall publish a report that includes, but is  
27 not limited to, all of the following:

28 (1) The range of working gas necessary at the facility to ensure  
29 safety and reliability and just and reasonable rates in California  
30 determined pursuant to subdivision (a).

31 (2) The amount of natural gas production at the facility needed  
32 to meet safety and reliability requirements.

33 (3) The number of wells and associated injection and production  
34 capacity required.

35 (4) The availability of sufficient natural gas production using  
36 gas storage wells that have satisfactorily completed testing and  
37 remediation required under subparagraph (B) of paragraph (4) of  
38 subdivision (c) of Section 3217 of the Public Resources Code.

39 (c) The commission shall make the report required under  
40 subdivision (b) available on its Internet Web site and seek, either

1 through written comments or a workshop, public comments on the  
2 report.

3 (d) The executive director of the commission, in consultation  
4 with the State Oil and Gas Supervisor, shall direct the operator to  
5 maintain the specified range of working gas, determined pursuant  
6 to subdivision (a), at the facility to ensure reliability and just and  
7 reasonable rates in California, after all of the following occur:

8 (1) The gas storage well comprehensive safety review is  
9 complete pursuant to paragraph (5) of subdivision (c) of Section  
10 3217 of the Public Resources Code.

11 (2) The State Oil and Gas Supervisor has approved the maximum  
12 and minimum reservoir pressure pursuant to subdivision ~~(d)~~ (e) of  
13 Section 3217 of the Public Resources Code.

14 (3) The State Oil and Gas Supervisor has allowed injections of  
15 natural gas at the facility, pursuant to subdivision ~~(e)~~ (f) of Section  
16 3217 of the Public Resources Code.

17 (4) The commission has allowed, and received, public comment  
18 on the report pursuant to subdivision (c).

19 (e) In no case may the volume of working gas set by the  
20 executive director of the commission result in reservoir pressures  
21 that fall out of the range established pursuant to subdivision ~~(d)~~  
22 (e) of Section 3217 of the Public Resources Code.

23 (f) This section shall remain in effect only until January 1, 2021,  
24 and as of that date is repealed, unless a later enacted statute, that  
25 is enacted before January 1, 2021, deletes or extends that date.

26 SEC. 4. No reimbursement is required by this act pursuant to  
27 Section 6 of Article XIII B of the California Constitution because  
28 the only costs that may be incurred by a local agency or school  
29 district will be incurred because this act creates a new crime or  
30 infraction, eliminates a crime or infraction, or changes the penalty  
31 for a crime or infraction, within the meaning of Section 17556 of  
32 the Government Code, or changes the definition of a crime within  
33 the meaning of Section 6 of Article XIII B of the California  
34 Constitution.

35 SEC. 5. This act is an urgency statute necessary for the  
36 immediate preservation of the public peace, health, or safety within  
37 the meaning of Article IV of the Constitution and shall go into  
38 immediate effect. The facts constituting the necessity are:

39 In order to mitigate, at the earliest possible time, ongoing harm  
40 from the gas leak at the Aliso Canyon natural gas storage facility,

- 1 and to evaluate the integrity of and the risks associated with gas
- 2 storage wells at that facility, it is necessary that this act take effect
- 3 immediately.

O